GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT

FINANCIAL STATEMENTS AND OTHER INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

TABLE OF CONTENTS

****

****

Kelley Galloway Smith Goolsby, PSC
Certified Public Accountants and Advisors
1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL.

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Garrison-Quincy-KY-O-Heights Water District
Garrison, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Garrison-Quincy-KY-O-Heights Water District (the "District"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of December 31, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matter

The financial statements of the District for the year ended December 31, 2023 were audited by another auditor, who expressed an unmodified opinion on those statements on July 15, 2024.

As part of our audit of the 2024 financial statements, we also audited adjustments described in Note (12) that were applied to restate the 2023 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2023 financial statements of the District other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2023 financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of

Proportionate Share of the Net Pension and OPEB Liability (Asset) and Schedule of Pension and OPEB Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
August 22, 2025

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2024 AND 2023

	2024	(As Restated) 2023
ASSETS		
Unrestricted assets:		
Cash and cash equivalents	$ 79,549	$ 56,786
Customer accounts receivable, net	195,567	181,454
Inventory	14,769	24,589
Prepaid expenses	7,848	6,112
Total unrestricted assets	297,733	268,941
Restricted assets:		
Cash and cash equivalents	229,763	178,272
Total restricted assets	229,763	178,272
Total current assets	527,496	447,213
Capital assets:		
Land	311,788	311,788
Buildings and improvements	1,548,978	1,548,978
Utility plant in service	10,281,599	10,248,427
Other depreciable equipment	131,946	151,384
Construction in progress	-	-
	12,274,311	12,260,577
Less: accumulated depreciation	(4,023,704)	(3,856,191)
Net capital assets	8,250,607	8,404,386
Net OPEB asset	14,624	11,004
Total assets	8,792,727	8,862,603
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - Pension	70,858	34,452
Deferred outflows - OPEB	27,060	53,543
Total deferred outflows of resources	97,918	87,995
Total assets and deferred outflows of resources	$ 8,890,645	$ 8,950,598

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
STATEMENTS OF NET POSITION (CONCLUDED)
DECEMBER 31, 2024 AND 2023

	2024	(As Restated) 2023
LIABILITIES		
Current liabilities:		
Accounts payable	$ 13,776	$ 12,012
Accrued payroll liabilities	13,873	11,860
Compensated absences - current	10,454	10,043
Customer deposits	9,997	10,278
Current portion of long-term debt	85,242	79,715
Accrued interest payable	18,750	18,599
Total current liabilities	152,092	142,507
Long-term liabilities:		
Bonds payable, net of current portion, plus premium	1,001,700	1,060,100
Notes payable, net of current portion	350,345	380,787
Compensated absences, net of current portion	31,361	30,129
Net pension liability	505,107	511,396
Total long-term liabilities	1,888,513	1,982,412
Total liabilities	2,040,605	2,124,919
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - Pension	61,770	79,071
Deferred inflows - OPEB	149,034	190,810
Total deferred inflows of resources	210,804	269,881
NET POSITION		
Net investment in capital assets	6,813,320	6,883,784
Restricted	229,763	178,272
Unrestricted	(403,847)	(506,258)
Total net position	6,639,236	6,555,798
Total liabilities, deferred inflows of resources, and net position	$ 8,890,645	$ 8,950,598

The accompanying notes are an integral part of these financial statements.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Water revenue	$ 643,421	$ 655,756
Sewer revenue	251,470	233,089
Other income	23,865	23,514
Total operating revenues	918,756	912,359
OPERATING EXPENSES		
Water Expenses -		
Salaries and wages	240,776	216,527
Employee benefits	31,445	4,388
Chemicals and salt	14,826	16,634
Professional services	20,018	25,700
Materials and supplies	40,362	48,591
Office supplies	22,304	20,288
Utilities and telephone	38,586	46,488
Insurance	15,026	13,845
Vehicle expense	15,653	11,150
Repairs and maintenance	2,449	17,925
Water purchased	34,925	31,079
Depreciation and amortization	108,850	105,403
Miscellaneous expense	11,153	6,132
Total water expenses	596,373	564,150
Sewer Expenses -		
Salaries and wages	53,515	53,069
Employee benefits	9,095	9,882
Chemicals and salt	2,904	3,672
Professional services	3,958	10,058
Materials and supplies	25,824	29,350
Office supplies	7,567	5,933
Utilities and telephone	3,491	25,127
Insurance	3,756	3,504
Vehicle expense	3,310	3,416
Repairs and maintenance	1,041	-
Testing	14,565	12,819
Depreciation and amortization	78,101	80,165
Miscellaneous expense	6,449	865
Total sewer expenses	213,576	237,860
Total operating expenses	809,949	802,010
Operating income (loss)	108,807	110,349
NON-OPERATING REVENUES (EXPENSES)		
Interest subsidy	2,358	4,742
Investment income (loss)	69	54
Interest expense	(46,391)	(41,827)
Total non-operating revenues (expenses)	(43,964)	(37,031)
INCOME (LOSS) BEFORE CONTRIBUTIONS	64,843	73,318
CAPITAL GRANTS	18,595	219,105
CAPITAL CONTRIBUTIONS	-	-
CHANGE IN NET POSITION	83,438	292,423
NET POSITION, BEGINNING OF YEAR, as restated	6,555,798	6,263,375
NET POSITION, END OF YEAR	$ 6,639,236	$ 6,555,798

The accompanying notes are an integral part of these financial statements.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	(As Restated) 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 880,497	$ 838,353
Cash payments for suppliers	(274,663)	(453,803)
Cash payments to employees for services	(413,740)	(310,160)
Other receipts (payments)	23,865	23,514
Net cash provided by operating activities	215,959	97,904
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(33,173)	(156,242)
Interest paid on debt	(46,240)	(42,757)
Capital grant	18,595	219,105
Principal paid on long-term debt	(83,315)	(79,490)
Interest subsidy	2,358	4,742
Net cash used for capital and related financing activities	(141,775)	(54,642)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	69	54
Net cash provided by investing activities	69	54
Net increase (decrease) in cash and cash equivalents	74,253	43,316
Cash and cash equivalents, beginning of year	235,058	191,742
Cash and cash equivalents, end of year	$ 309,311	$ 235,058
Cash and Cash Equivalents Reported As:		
Unrestricted	$ 79,549	$ 56,786
Restricted	229,763	178,272
	$ 309,312	$ 235,058

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONCLUDED)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	2024	(As Restated) 2023
Operating income (loss)	$ 108,807	$ 110,349
Adjustments:		
Depreciation	186,951	185,568
Net pension adjustment	(40,905)	(59,969)
Net OPEB adjustment	(38,004)	(37,085)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(14,113)	(50,545)
(Increase) decrease in inventories	9,820	118
(Increase) decrease in prepaid expenses	(1,736)	-
Increase (decrease) in customer deposits	(281)	53
Increase (decrease) in accounts payable and accrued wages	5,420	(50,585)
Net cash provided by operating activities	$ 215,959	$ 97,904

The accompanying notes are an integral part of these financial statements.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

The financial statements of the Garrison-Quincy-KY-O-Heights Water District ("the District") have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body of governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below, and where appropriate, subsequent pronouncements will be referenced.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Garrison-Quincy-KY-O-Heights Water District (District) was created and organized as a public body corporate in Garrison-Quincy-KY-O-Heights, Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes, by the Lewis County Fiscal Court to operate a water distribution system and provide wastewater services. The District is subject to the regulatory authority of the Kentucky Public Service Commission pursuant to KRS 278.040.

Reporting Entity

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Standards*, include whether:

- the District is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

Basis of Accounting

The District's operations are classified as an Enterprise Fund that accounts for the acquisition, operation, and maintenance of activities that are similar to a business. The Enterprise Fund is accounted for on the accrual basis of accounting. Revenues are recognized in the period earned, and expenses are recognized at the time liabilities are incurred. The Enterprise Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. The principal operating revenue of the District are charges to customers for sales and services. The District also recognizes as operating revenue connection fees intended to recover the costs of connecting new customers to the utility system. Operating expenses for an Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for account balances deemed not collectible, and the time period used to depreciate the capital assets. Actual results could differ from estimated amounts.

Assets, Liabilities, and Net Position

Cash and cash equivalents. For purposes of reporting cash flows, cash and cash equivalents consist of cash on hand, cash on deposit with banks, and certificates of deposit with an original maturity of less than three months (including amounts held in restricted asset accounts).

Receivables. Customer accounts receivable reflect revenues earned or accrued during the period from customers of the water system. These accounts are stated at face value less an allowance for doubtful accounts. The balance of the allowance for doubtful accounts as of December 31, 2024 and 2023 was $365,241 and $231,845, respectively.

Grants Receivable. Grants receivable consists of amounts disbursed that have not yet been reimbursed with approved grant funds.

Inventories. Inventories are valued at cost (first-in, first-out method).

Restricted Assets. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, including reserve requirements, are classified as restricted assets on the statement of net position since their use is limited by applicable bond and note indentures.

Capital Assets. Expenditures for items having a useful life greater than one year are capitalized. Capital assets are stated at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method as follows:

Utility plant and system lines	25-40 years
Pumping equipment and meters	20 years
Furniture, fixtures and equipment	5-20 years

Long-Term Obligations. Long-term liabilities reported in the statement of net position include principal outstanding on notes and bonds.

Net Position. Net position is reported in three categories: net position invested in capital assets; restricted net position; and unrestricted net position. Net position invested in capital assets, represents capital assets, less accumulated depreciation, less outstanding principal of related debt. Restricted net position reflect funds held in various reserve accounts to meet the various covenants as may be specified and defined in the revenue bond and note indentures or as deemed appropriate by management. All other net position is considered unrestricted.

Capital Grants/Contributions

Grants that are restricted to the purchase of property, plant and equipment are recorded as capital contributions, per GASB 33. The District received capital contributions, including grants and tap fees of $18,595 and $219,105 for the years ended December 31, 2024 and 2023, respectively.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the OPEB plan's fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Reclassifications

Certain reclassifications have been made to the December 31, 2023 financial statements to conform with the 2024 presentation.

Recent Accounting Pronouncements

In May 2023, the GASB issued Statement No. 99, *Omnibus 2023* ("GASB 99"), to provide guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements. GASB 99 addresses, among other matters:

- Accounting and financial reporting for exchange or exchange-like financial guarantees;
- Clarification of certain provisions of Statement No.:
    - o 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,
    - o 87, Leases,
    - o 94, Public-Private and Public-Public Partnership and Availability Payment Arrangements,
    - o 96, Subscription-Based Information Technology Arrangements (SBITA);
- Replacing the original deadline for use of the London Interbank Offered Rate (LIBOR) as a benchmark interest rate for hedges of interest rate risk of taxable debt with a deadline for when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021;
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP);
- Disclosures related to non-monetary transactions; and
- Pledges of future revenues when resources are not received by the pledging government.

Requirements that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for non-monetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement No. 34, and terminology updates were effective upon issuance. Requirements related to leases, public-public and public-private partnerships (PPPs), and SBITAs was effective for the District beginning with its year ending December 31, 2024. Requirements related to financial guarantees and derivative instruments will be effective for the District beginning with its year ending December 31, 2024. Adoption of the provisions required through December 31, 2024 did not have a material effect on the District's financial statements.

In June 2023, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections (an amendment of GASB Statement No. 62)* ("GASB 100"), which has as its primary objective to provide more straightforward guidance that is easier to understand and is more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability. Improving the clarity of accounting and financial reporting requirements for accounting changes and error corrections will mean greater consistency in the application of these requirements in general.

GASB 100 prescribes accounting and financial reporting for each category of accounting change and error corrections, requiring that:

- Changes in accounting principle and error corrections be reported retroactively by restating prior periods;
- Changes in accounting estimate be reported prospectively by recognizing the change in the current period; and
- Changes to and within the financial reporting entity be reported by adjusting beginning balances of the current period.
- Requires that governments disclose the effects of each accounting change and error correction on beginning balances in a tabular format.

The requirements of GASB 100 will be effective for accounting changes and error corrections made by the District beginning with its year ending December 31, 2024. Adoption of this standard did not have a material effect on the District's financial statements.

In June 2023, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"), which supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992. GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. For example, a liability for leave that has not been used would be recognized if the leave:

- Is attributable to services already rendered;
- Accumulates; and
- Is more likely than not to be used for time off or otherwise paid or settled. Some exceptions to this general rule include parental leave, military leave and jury duty leave for which a liability would not be recognized until the leave commences.

Additionally, GASB 101 (1) provides an alternative to the existing requirement to disclose the gross annual increases and decreases in long-term liability for compensated absences, allowing governments to disclose only the net annual change in the liability as long as it is identified as such; and (2) removes the disclosure of the government funds used to liquidate the liability for compensated absences. The requirements of GASB 101 are effective for the District beginning with its year ending December 31, 2024. Adoption of this standard required a restatement to the prior year. See Notes (4) and (12).

(2) RESTRICTED ASSETS

As of December 31, 2024 and 2023, restricted assets were as follows:

	2024	2023
Bond and Interest Sinking Fund	$ 66,359	$ 65,799
KIA Loan Account	11,032	9,278
Sewer Depreciation Account	36,519	29,312
Depreciation Fund	26,945	22,740
Customer deposits	9,295	9,973
Capital Equipment	31,834	13,918
Water Surcharge	47,779	27,252
	$ 229,763	$ 178,272

Restricted cash accounts consist of the following:

Customer Deposit Account - The District is required to maintain special deposit accounts for customer deposits.

Capital Equipment Account - The Capital Equipment Account is being maintained for the purpose of purchasing and maintaining equipment. The District deposits $2,000 per month into the account.

Debt Service Reserve Accounts - Deposits into the Bond and Interest Sinking Fund Account are required to be made monthly in order to accumulate funds for payment of bond principle and interest. The KIA (Kentucky Infrastructure Authority) Loan Account is being maintained for the purposes of accounting for principal and interest payments on the KIA Loan.

Depreciation Reserve - The Depreciation Reserve Accounts are being maintained as required in various bond documents. The District was required to deposit $280 per month into these accounts. The District had a total of $63,464 in these accounts for the purpose of maintaining the water system. The required balance at December 31, 2024 is $62,336. This reserve was adequately funded at December 31, 2024.

Water Surcharge – The PSC approved a $1.73 per meter per month surcharge for 48 months, or until $88,468 has been assessed, whichever occurs first, to be used for water loss reduction efforts. The balance at December 31, 2024 is $47,779.

(3) CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's funds on deposit with the banks may not be returned to the District. The District's cash and cash equivalents consist of checking and savings accounts with local banks. This District does not have a deposit policy for custodial credit risk. At December 31, 2024, the carrying amount of the District's deposits was $309,312 and the bank balances totaled $309,976. The bank balances are categorized as follows:

Amount insured by the FDIC	$ 259,353
Uncollateralized	50,623
Total	$ 309,976

(4) COMPENSATED ABSENCES

Employees of the District earn vacation, sick leave, and other types of paid leave in accordance with the provisions of the District's personnel policies.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, the government has recognized a liability for compensated absences as the benefits are earned, rather than when they are paid or become due upon termination.

The liability is calculated based on (1) the amount of leave earned through the end of the fiscal year, (2) the probability that the leave will be paid, either through usage or upon termination, (3) and the employees' current pay rates.

The portion expected to be paid within one year is reported as a current liability and the remaining amount is reported as a noncurrent liability as compensated absences in the financial statements. As of December 31, 2024 and 2023, the liability for compensated absences was $41,815 and $40,172, respectively.

(5) CAPITAL ASSETS

Changes in Capital Assets - The following is a summary of changes in capital assets and accumulated depreciation for the years ended December 31, 2024 and 2023:

	December 31, 2024			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land - Water	$ 261,788	$ -	$ -	$ 261,788
Land - Sewer	50,000	-	-	50,000
Total Capital Assets Not Being Depreciated	311,788	-	-	311,788
Capital Assets Being Depreciated:				
Buildings - Water Distribution	397,803	-	-	397,803
Buildings - Sewer Processing	1,151,175	-	-	1,151,175
Wells, Springs, & Reservoirs	1,001,151	-	-	1,001,151
Pumping Equipment	358,926	33,172	-	392,098
Transmission and Distribution	4,225,540	-	-	4,225,540
Water Treatment	542,810	-	-	542,810
Sewer Lines	4,120,000	-	-	4,120,000
Vehicles and Heavy Equipment	121,229	-	19,438	101,791
Office, Tools and Other Equipment	30,155	-	-	30,155
Total Capital Assets Being Depreciated	11,948,789	33,172	19,438	11,962,523
Total Capital Assets	12,260,577	33,172	19,438	12,274,311
Less: Accumulated Depreciation	3,856,191	186,951	19,438	4,023,704
Net Capital Assets	$ 8,404,386	$ (153,779)	$ -	$ 8,250,607

	December 31, 2023			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land - Water	$ 261,788	$ -	$ -	$ 261,788
Land - Sewer	50,000	-	-	50,000
Total Capital Assets Not Being Depreciated	311,788	-	-	311,788
Capital Assets Being Depreciated:				
Buildings - Water Distribution	392,303	5,500	-	397,803
Buildings - Sewer Processing	1,151,175	-	-	1,151,175
Wells, Springs, & Reservoirs	1,001,151	-	-	1,001,151
Pumping Equipment	236,184	122,742	-	358,926
Transmission and Distribution	4,225,540	-	-	4,225,540
Water Treatment	542,810	-	-	542,810
Sewer Lines	4,100,000	20,000	-	4,120,000
Vehicles and Heavy Equipment	113,229	8,000	-	121,229
Office, Tools and Other Equipment	30,155	-	-	30,155
Total Capital Assets Being Depreciated	11,792,547	156,242	-	11,948,789
Total Capital Assets	12,104,335	156,242	-	12,260,577
Less: Accumulated Depreciation	3,670,623	185,568	-	3,856,191
Net Capital Assets	$ 8,433,712	$ (29,326)	$ -	$ 8,404,386

(5) LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the District for the years ended December 31, 2024 and 2023:

December 31, 2024:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	$ 411,002	$ -	$ 30,215	$ 380,787	$ 30,442
Bond payable	1,109,600	-	53,100	1,056,500	54,800
Total long-term debt	$ 1,520,602	$ -	$ 83,315	$ 1,437,287	$ 85,242

December 31, 2023:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	$ 440,992	$ -	$ 29,990	$ 411,002	$ 30,215
Bond payable	1,159,100	-	49,500	1,109,600	49,500
Total long-term debt	$ 1,600,092	$ -	$ 79,490	$ 1,520,602	$ 79,715

Notes payable included in long-term debt in the accompanying financial statements includes the following at December 31, 2024 and 2023:

	2024	2023
$821,721 note payable to the Kentucky Infrastructure Authority to finance upgrades to the plant dated April 1, 2015, due in semi-payments, with interest of .75%, the loan also included principal forgiveness of $205,430, maturing April 1, 2036.	$ 380,787	$ 411,002
Total Notes Payable	$ 380,787	$ 411,002

The annual requirements to amortize the notes payable as of December 31, 2024 (including interest payments) are as follows:

Year Ending December 31,	Principal	Interest	Total
2025	$ 30,442	$ 3,732	$ 34,174
2026	30,671	3,427	34,098
2027	31,001	3,120	34,121
2028	31,134	2,810	33,944
2029	31,367	2,498	33,865
2030-2034	160,409	7,729	168,138
2035-2036	65,763	825	66,588
	$ 380,787	$ 24,141	$ 404,928

Bonds Payable included in long-term debt in the accompanying financial statements includes the following at December 31, 2024 and 2023:

	2024	2023
$250,000 Water Revenue Bonds, 1987 series A, maturing through January 1, 2027, with interest at 6.375%	$ 52,000	$ 67,000
$50,000 Water Revenue Bonds, 1987 series B, maturing through January 1, 2027, with interest at 5.875%	9,000	11,600

$295,000 Water Revenue Bonds, 1996, maturing through January 1, 2036, with interest at 4.50%	150,000	159,500
$356,000 Water Revenue Bonds, 2002, maturing through January 1, 2042, with interest at 4.50%	238,000	247,000
$798,000 Water Revenue Bonds, 2010 series, maturing through January 1, 2049, with interest at 2.25%	607,500	624,500
Total Bonds Payable	$ 1,056,500	$ 1,109,600

The annual requirements to amortize the bonds as of December 31, 2024 (including interest payments) are as follows:

Year	Principal	Interest	Total
2025	$ 54,800	$ 33,768	$ 88,568
2026	57,000	31,303	88,303
2027	61,200	28,673	89,373
2028	40,000	26,618	66,618
2029	42,000	25,206	67,206
2030-2034	232,500	102,829	335,329
2035-2039	227,500	61,387	288,887
2040-2044	187,000	28,576	215,576
2045-2049	154,500	8,848	163,348
Totals	$ 1,056,500	$ 347,208	$ 1,403,203

(7) PENSION PLAN

County Employees Retirement System

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members. For the year ending December 31, 2024, employers were required to contribute 23.34% (23.34% - pension, 0.00% - insurance) for the period January 1, 2024 through June 30, 2024 and 19.71% (19.71% - pension, 0.00% - insurance) for the period July 1, 2024 through December 31, 2024 of the member's salary. During the years ending December 31, 2024 and 2023, the District contributed $59,027 and $54,137 to the CERS pension plan, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At December 31, 2024, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2023. An expected total pension liability as of June 30, 2024 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2024. At June 30, 2024, the District's proportion was 0.008%.

For the years ended December 31, 2024 and 2023, the District recognized pension expense of $22,006 and $65,783, respectively. At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 24,448	$ -
Changes of assumptions	-	22,821
Net difference between projected and actual earnings on pension plan investments	-	32,476
Changes in proportion and differences between District contributions and proportionate share of Contributions	18,317	6,473
District contributions subsequent to the measurement date	28,093	-
Total	$ 70,858	$ 61,770

The deferred outflows at December 31, 2023 were $34,452 and the deferred inflows were $79,071. At December 31, 2024, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of $28,093. These contributions will be recognized as a reduction of the net pension liability in the year ended December 31, 2025.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These amounts will be recognized in pension expense as follows:

Year	
2025	$ (15,691)
2026	16,408
2027	(12,484)
2028	(7,238)
2029	-
	$ (19,005)

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2023. The financial reporting actuarial valuation as of June 30, 2024, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Payroll growth	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%, net of pension plan investment expense, including inflation

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 and include a change in the investment return assumption from 6.25% to 6.50%. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2024. These assumptions are documented in the report titled "2023 Actuarial Experience Study for the Period Ending June 30, 2023." The Total Pension Liability as of June 30, 2024, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2023, with the lump-sum options expanded to include 48 or 60 times the member's monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability.

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. The actuary believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total pension liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the nonhazardous plans. But as the minimum separation period was previously three months in almost every circumstance, the actuary assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability as of June 30, 2024, for the nonhazardous plans is determined using these updated benefits provisions.

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2023, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	4.69%

Discount Rate: The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
District's proportionate share of the net pension liability	$ 651,165	$ 505,107	$ 383,917

The net pension liability was $511,396 at December 31, 2023.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at https://kyret.ky.gov.

Payables to the pension plan: At December 31, 2024 and 2023, the payables to CERS for pension and OPEB in total were $7,965 and $5,849, respectively.

(8) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLAN

County Employees Retirement System Insurance Fund

Plan description: The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided: CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive $10 toward the monthly premium for each full year of service.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending December 31, 2024, employers were required to contribute 23.34% (23.34% - pension, 0.00% - insurance) for the period January 1, 2024 through June 30, 2024 and 19.71% (19.71% - pension, 0.00% - insurance) for the period July 1, 2024 through December 31, 2024 of the member's salary. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the years ending December 31, 2024 and 2023, the District contributed $-0- and $9,519 to the CERS Insurance Fund, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability (asset).

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At December 31, 2024, the District reported a liability (asset) for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2024. The total OPEB liability (asset) used to calculate the net OPEB liability (asset) was based on an actuarial valuation as of June 30, 2023. An expected total OPEB liability (asset) as of June 30, 2024 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability (asset) was based on contributions to CERS during the fiscal year ended June 30, 2024. At June 30, 2024, the District's proportion was 0.008%.

For the years ended December 31, 2024 and 2023, the District recognized OPEB expense of ($37,949) and $7,843, including an implicit subsidy of $3,977 and $3,587, respectively. At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,113	$ 115,060
Changes of assumptions	13,251	10,319
Net difference between projected and actual earnings on pension plan investments	-	13,345
Changes in proportion and differences between District contributions and proportionate share of contributions	5,696	10,310
District contributions subsequent to the measurement date	-	-
Total	$ 27,060	$ 149,034

The deferred outflows at December 31, 2023 were $53,543 and the deferred inflows were $190,810. At December 31, 2024, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of $-0-. These contributions will be recognized as a reduction of the net OPEB liability (asset) in the year ended December 31, 2025.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are amortized over the average service life of all members. These amounts will be recognized in OPEB expense as follows:

Year	
2025	$ (52,074)
2026	(37,851)
2027	(31,695)
2028	(354)
2029	-
	$ (121,974)

Actuarial Methods and Assumptions - The total OPEB liability (asset) in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Payroll Growth Rate	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%

Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.10% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Post-65	Initial trend starting at 8.00% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2023, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010.

Assumption Changes - The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled "2023 Actuarial Experiences Study for the Period Ending June 30, 2023". Additionally, the single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. Additional information regarding the single discount rates is provided below. The total OPEB liability (asset) as of June 30, 2024, is determined using these updated assumptions.

House Bill 506 passed during the 2024 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis in any nonhazardous position. The actuary believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total OPEB liability (asset) of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the nonhazardous plan. But as the minimum separation period was previously three months in almost every circumstance, the actuary assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability (asset) as of June 30, 2024, for the nonhazardous plan is determined using these updated benefit provisions.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	4.69%

Discount rate - The discount rate used to measure the total OPEB liability (asset) was 5.99%. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plan's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District's proportionate share of the collective net OPEB liability (asset) of the System, calculated using the discount rate of 5.99%, as well as what the District's proportionate share of the collective net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99%) or 1-percentage-point higher (6.99%) than the current rate:

	1% Decrease (4.99%)	Current discount rate (5.99%)	1% Increase (6.99%)
District's proportionate share of the net OPEB (asset) liability	$ 19,773	$ (14,624)	$ (43,545)

The net OPEB asset was $11,004 at December 31, 2023.

Sensitivity of the District's proportionate share of the collective net OPEB liability (asset) to changes in the healthcare cost trend rates: The following presents the District's proportionate share of the collective net OPEB liability (asset), as well as what the District's proportionate share of the collective net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB (asset) liability	$ (35,183)	$ (14,624)	$ 9,326

OPEB plan fiduciary net position: Detailed information about the insurance plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at https://kyret.ky.gov.

Payables to the OPEB plan: At December 31, 2024 and 2023, the payables to CERS for pension and OPEB in total were $7,965 and $5,849, respectively.

(9) CONCENTRATIONS OF CREDIT

All of the District's revenues, most of which are comprised of residential billings, are generated by customers located in its four-county area.

(10) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The District provides for risk financing by purchasing coverage from commercial insurance companies.

(11) COMMITMENTS AND CONTINGENCIES

The District had elected to be recognized as a reimbursing employer for state unemployment compensation purposes. Accordingly, the District will become liable for direct payment of unemployment benefits as they become due.

(12) PRIOR PERIOD ADJUSTMENT

Effective for the year ended December 31, 2024, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This standard requires governments to recognize a liability for all compensated absences that are attributable to services already rendered and are probable of being paid upon separation or through usage, including certain non-vesting leave that had not previously been accrued.

This change was applied retroactively by restating the beginning net position of the year ending December 31, 2023, in accordance with the provisions of GASB 101. As a result of adopting GASB 101, the District identified additional liabilities for compensated absences that had not been recognized under the previous accounting standard. The adoption resulted in a restatement of beginning net position as follows:

	December 31, 2023
Net position, beginning of year	$ 6,287,275
Adjustment for adoption of GASB 101	(23,900)
Net position, beginning of year, as restated	$ 6,263,375

REQUIRED SUPPLEMENTARY INFORMATION

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION AND OPEB LIABILITY (ASSET)
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2024

	Reporting Fiscal Year (Measurement Date) 12/31/2024 (6/30/2024)	Reporting Fiscal Year (Measurement Date) 12/31/2023 (6/30/2023)	Reporting Fiscal Year (Measurement Date) 12/31/2022 (6/30/2022)	Reporting Fiscal Year (Measurement Date) 12/31/2021 (6/30/2021)	Reporting Fiscal Year (Measurement Date) 12/31/2020 (6/30/2020)	Reporting Fiscal Year (Measurement Date) 12/31/2019 (6/30/2019)	Reporting Fiscal Year (Measurement Date) 12/31/2018 (6/30/2018)	Reporting Fiscal Year (Measurement Date) 12/31/2017 (6/30/2017)	Reporting Fiscal Year (Measurement Date) 12/31/2016 (6/30/2016)	Reporting Fiscal Year (Measurement Date) 12/31/2015 (6/30/2015)
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION:										
District's proportion of the net pension liability	0.008%	0.008%	0.008%	0.009%	0.009%	0.009%	0.009%	0.010%	0.010%	0.009%
District's proportionate share of the net pension liability	$ 505,107	$ 511,396	$ 596,755	$ 552,334	$ 729,563	$ 643,453	$ 527,559	$ 479,531	$ 403,216	$ 294,000
District's covered payroll	$ 257,296	$ 221,869	$ 221,092	$ 235,837	$ 238,633	$ 226,293	$ 229,556	$ 220,216	$ 234,905	$ 201,284
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	196.314%	230.495%	269.913%	234.202%	305.726%	284.345%	229.817%	217.755%	171.651%	146.062%
Plan fiduciary net position as a percentage of the total pension liability	61.610%	57.480%	52.420%	57.330%	47.810%	50.450%	53.540%	53.320%	55.500%	59.970%
COUNTY EMPLOYEES RETIREMENT SYSTEM - OPEB:										
District's proportion of the net OPEB liability (asset)	0.008%	0.008%	0.008%	0.009%	0.010%	0.009%	0.009%			
District's proportionate share of the net OPEB liability (asset)	$ (14,624)	$ (11,004)	$ 162,874	$ 165,811	$ 229,613	$ 153,832	$ 181,192			
District's covered payroll	$ 257,296	$ 221,869	$ 221,092	$ 235,837	$ 238,633	$ 226,293	$ 229,556			
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-5.684%	-4.960%	73.668%	70.307%	96.220%	67.979%	78.932%			
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	104.89%	104.23%	60.95%	62.91%	51.67%	60.40%	57.60%			

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION:											
Contractually required contribution	$ 59,027	$ 54,137	$ 51,998	$ 42,705	$ 47,023	$ 37,430	$ 30,611	$ 27,670	$ 27,898	$ 28,000	$ 28,566
Contributions in relation to the contractually required contribution	59,027	54,137	51,998	42,705	47,023	37,430	30,611	27,670	27,898	28,000	28,566
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-	-
District's covered payroll	$ 275,066	$ 257,296	$ 221,869	$ 221,092	$ 235,837	$ 238,633	$ 226,293	$ 229,556	$ 220,216	$ 234,905	$ 201,284
District's proportionate share of the contractually required contributions as a percentage of its covered-employee payroll											
January to June rates	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
July to December rates	19.71%	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%
COUNTY EMPLOYEES RETIREMENT SYSTEM - OPEB:											
Contractually required contribution	$ -	$ 9,519	$ 10,533	$ 11,597	$ 12,138	$ 10,592	$ 10,379	$ 10,302	$ 9,884	$ 9,988	$ 9,200
Contributions in relation to the contractually required contribution	-	9,519	10,533	11,597	12,138	10,592	10,379	10,302	9,884	9,988	9,200
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-	-
District's covered payroll	$ 275,066	$ 257,296	$ 221,869	$ 221,092	$ 235,837	$ 238,633	$ 226,293	$ 229,556	$ 220,216	$ 234,905	$ 201,284
District's proportionate share of the contractually required contributions as a percentage of its covered-employee payroll											
January to June rates	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	5.78%	4.73%		
July to December rates	0.00%	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	5.78%	4.73%	

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

FOR THE YEAR ENDED DECEMBER 31, 2024

(1) CHANGES OF ASSUMPTIONS

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2024.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020:

- Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the total pension liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2019.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total pension liability was changed to 6.50%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2024:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%, net of pension plan investment expense, including inflation
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

(3) CHANGES OF BENEFITS

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2019 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2023 and after.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB

FOR THE YEAR ENDED DECEMBER 31, 2024

(1) CHANGES OF ASSUMPTIONS

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

For the June 30, 2022 measurement date, the single discount rates used to calculate the total OPEB liability was changed to 5.70%.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total OPEB liability was changed to 5.93%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

For the June 30, 2024 measurement date, the single discount rates used to calculate the total OPEB liability was changed to 5.99%.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2024:

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.20% at January 1, 2024, gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2023 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2023.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

(3) CHANGES OF BENEFITS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

Senate Bill 209 passed during the 2023 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

Kelley Galloway Smith Goolsby, PSC
Certified Public Accountants and Advisors
1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Garrison-Quincy-KY-O-Heights Water District
Garrison, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Garrison-Quincy-KY-O-Heights Water District (the "District") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 22, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
August 22, 2025